

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name VIENNA TOWNSHIP	County MONTMORENCY
Fiscal Year End MARCH 31, 2006	Opinion Date 8/7/06	Date Audit Report Submitted to State 9/27/06	

We affirm that:


We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- | YES | NO | Check each applicable box below. (See instructions for further detail.) |
|-------------------------------------|-------------------------------------|---|
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 1. All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 2. There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 3. The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 4. The local unit has adopted a budget for all required funds. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 5. A public hearing on the budget was held in accordance with State statute. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 6. The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 7. The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 8. The local unit only holds deposits/investments that comply with statutory requirements. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 9. The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the <i>Bulletin for Audits of Local Units of Government in Michigan</i> , as revised (see Appendix H of Bulletin). |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 10. There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover. |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | 11. The local unit is free of repeated comments from previous years. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 12. The audit opinion is UNQUALIFIED. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 13. The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP). |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 14. The board or council approves all invoices prior to payment as required by charter or statute. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 15. To our knowledge, bank reconciliations that were reviewed were performed timely. |

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) THOMAS R ZICK CPA, P.C.		Telephone Number 989-786-4032	
Street Address P.O. BOX 149		City LEWISTON	State MI
		Zip 49756	
Authorizing CPA Signature 		Printed Name THOMAS R ZICK, CPA	
		License Number 1101007478	

**VIENNA TOWNSHIP
BASIC FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2006**

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Thomas R. Zick CPA, P.C.
CERTIFIED PUBLIC ACCOUNTANT

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INDEPENDENT AUDITOR'S REPORT

August 7, 2006

Township Board
Vienna Township
Johannesburg, Michigan 49751

I have audited the accompanying financial statements of the governmental activities and each major fund of Vienna Township, Montmorency County, Michigan as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Vienna Township's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, based on my audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund, of Vienna Township, as of March 31, 2006, and the respective changes in financial position, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, Basic financial Statements – and Management's Discussion and Analysis – for State and Local governments, along with all related statements and interpretations, as of April 1, 2005.

The management's discussion and analysis and budgetary comparison information as identified in the table of contents are not a required part of the basic financial statements but are supplemental information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, I did not audit the information and express no opinion on it.

THOMAS R. ZICK CPA, P.C.
CERTIFIED PUBLIC ACCOUNTANT

VIENNA TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

THE TOWNSHIP AS A WHOLE

The Township's combined net assets increased 8.4195% from a year ago – increasing by \$44,421. As we look at the governmental activities you can see the increase occurred throughout the entire group of governmental funds.

In a condensed format, the table below shows a calculation of the net assets as of the current balance sheet date. Since this is the first year for GASB # 34 no comparative figures are shown.

	<u>03/31/06</u>
Current Assets	\$ 208,301
Noncurrent Assets	<u>371,226</u>
Total Assets	579,527
Long-Term Debt Outstanding	2,000
Other Liabilities	<u>5,276</u>
Total Liabilities	<u>7,276</u>
Net Assets	
Invested in Capital Assets - Net of Debt	369,226
Restricted - Fire Fund	65,567
Unrestricted	<u>137,458</u>
Total Net Assets	<u>\$ 572,251</u>

Unrestricted net assets – the part of net assets that can be used to finance day to day operations ended the year at \$137,458.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

The following table shows the changes in the net assets as of the current year. Since this is the first year for GASB # 34 no comparative figures are shown.

Program Revenues	
Charges for Services	\$ 13,113
General Revenues	
Property Taxes	134,852
State Shared Revenues	38,633
Unrestricted Investment Earnings	8,660
Other Revenue	9,342
Total Revenues	<u>204,600</u>
Program Expenses	
General Government	78,862
Public Safety	79,203
Interest on Long-Term Debt	2,114
Total Expenses	<u>160,179</u>
Change in Net Assets	<u>\$ 44,421</u>

The Township's net assets continue to remain healthy. The total revenues grew slightly faster than inflation while we were able to hold expenses in line.

GOVERNMENTAL ACTIVITIES

The Township's total governmental revenues were \$204,600.

The Township is continuing to update and improve the township hall. This year we had the inside walls painted. In the near future we will be paving the parking lot and replacing the kitchen appliances, along with purchasing new tables and chairs.

THE TOWNSHIP'S FUNDS

Our analysis of the Township's major funds begins on page 7 following the Township-wide financial statements. The fund financial statements provide detail information about the most significant funds, not the township as a whole. The township board creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The Township's major funds for 2005/06 include the General fund, Fire Fund, and EMS Fund.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

THE TOWNSHIP'S FUNDS (CONTINUED)

The General fund pays for most of the Township's governmental services. The most significant expenditures are assessing at \$12,183, landfill transfer site at \$12,500, and dust control at \$5,035.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the Township board did not amend the budget. There were only minor budget variances during the year. The General Fund Balance increased by \$25,740 during the year.

CAPITAL ASSET AND DEBT ADMINISTRATION

At March 31, 2006 the Township had \$371,226 invested in net capital assets in a broad range of capital assets, including buildings and fire equipment.

The Township has \$2,000 in long-term debt at March 31, 2006. The debt was for a tanker truck. Debt principal payments totaled \$26,880 during the year. The township made the final debt payment on the fire truck during the 2005/06 fiscal year.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

We anticipate a change in the millage rates. Instead of asking the voters to renew the extra voted one mill for fire equipment and maintenance, we will be asking the voters to approve a half mill for fire equipment and maintenance, and a half mill for road improvements. We have not previously asked for a road improvement millage.

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the supervisor at (989) 786-5729.

VIENNA TOWNSHIP
STATEMENT OF NET ASSETS
MARCH 31, 2006

	Governmental Activities
ASSETS	
Cash demand and time deposits	\$ 191,648
Receivables	
Taxes	16,653
Capital assets	
Land	27,725
Other capital assets, net of depreciation	<u>343,501</u>
TOTAL ASSETS	<u>579,527</u>
LIABILITIES	
Accounts payable	5,276
Noncurrent liabilities:	
Due within one year	<u>2,000</u>
TOTAL LIABILITIES	<u>7,276</u>
NET ASSETS	
Invested in capital assets, net of related debt	369,226
Restricted for:	
Fire fund	65,567
Unrestricted	<u>137,458</u>
TOTAL NET ASSETS	<u>\$ 572,251</u>

See Notes to Financial Statements

VIENNA TOWNSHIP
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2006

Functions / Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants	
Primary Government					
Governmental Activities					
General Government	\$ 78,862	\$ 11,903	\$ -	\$ -	\$ (66,959)
Public Safety	79,203	1,210	-	-	(77,993)
Interest on Debt	<u>2,114</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,114)</u>
Total Governmental Activities	<u>\$ 160,179</u>	<u>\$ 13,113</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(147,066)</u>
General revenues:					
Taxes:					
Property taxes levied for general purposes					134,852
State Revenue Sharing not restricted to specific purposes					38,633
Interest and investment earnings / other revenue					<u>18,002</u>
Total general revenues and taxes					<u>191,487</u>
Change in net assets					44,421
Net assets, beginning of year					<u>527,830</u>
Net assets, end of year					<u>\$ 572,251</u>

See Notes to Financial Statements

VIENNA TOWNSHIP
BALANCE SHEET
GOVERNMENTAL FUNDS
MARCH 31, 2006

	GENERAL FUND	FIRE FUND	EMS FUND	TOTAL
ASSETS				
Cash	\$ 134,203	\$ 57,445	\$ -	\$ 191,648
Receivables				
Taxes	<u>4,447</u>	<u>8,122</u>	<u>4,084</u>	<u>16,653</u>
TOTAL ASSETS	<u>\$ 138,650</u>	<u>\$ 65,567</u>	<u>\$ 4,084</u>	<u>\$ 208,301</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 1,192	\$ -	\$ 4,084	\$ 5,276
TOTAL LIABILITIES	<u>1,192</u>	<u>-</u>	<u>4,084</u>	<u>5,276</u>
FUND BALANCES				
Reserved	-	65,567	-	65,567
Unreserved	<u>137,458</u>	<u>-</u>	<u>-</u>	<u>137,458</u>
TOTAL FUND BALANCES	<u>137,458</u>	<u>65,567</u>	<u>-</u>	<u>203,025</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 138,650</u>	<u>\$ 65,567</u>	<u>\$ 4,084</u>	<u>\$ 208,301</u>

See Notes to Financial Statements

VIENNA TOWNSHIP
Reconciliation of Fund Balances on the Balance Sheet
for Governmental Funds to Net Assets of
Governmental Activities on the Statement of Net Assets
MARCH 31, 2006

Fund Balances - Total Governmental Funds	\$ 203,025
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Amounts reported for *governmental activities* in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Capital Assets - at Cost	546,926
Accumulated Depreciation	(175,700)

Certain liabilities such as bonds and notes payable are not due and payable in the current period and therefore are not reported in the governmental funds

Installments Note Payable	<u>(2,000)</u>
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Net Assets of Governmental Activities	<u><u>\$ 572,251</u></u>
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See Notes to Financial Statements

VIENNA TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED MARCH 31, 2006

	GENERAL FUND	FIRE FUND	EMS FUND	TOTAL
REVENUES				
Taxes	\$ 43,080	\$ 61,066	\$ 30,706	\$ 134,852
State Sources	38,633	-	-	38,633
Charges for Services	1,210	-	-	1,210
Interest / Royalty Income	7,264	1,362	34	8,660
Hall Rent	1,840	-	-	1,840
Administration Fee	10,063	-	-	10,063
Other Revenue	<u>5,342</u>	<u>4,000</u>	<u>-</u>	<u>9,342</u>
 TOTAL REVENUES	 <u>107,432</u>	 <u>66,428</u>	 <u>30,740</u>	 <u>204,600</u>
EXPENDITURES				
General Government	\$ 76,504	-	-	76,504
Public Safety	3,816	22,243	30,740	56,799
Capital Outlay	1,372	2,189	-	3,561
Debt Service:				
Principal	-	26,880	-	26,880
Interest and Other Charges	<u>-</u>	<u>2,114</u>	<u>-</u>	<u>2,114</u>
 TOTAL EXPENDITURES	 <u>81,692</u>	 <u>53,426</u>	 <u>30,740</u>	 <u>165,858</u>
REVENUES OVER (UNDER) EXPENDITURES	25,740	13,002	-	38,742
FUND BALANCES - BEGINNING OF YEAR	<u>111,718</u>	<u>52,565</u>	<u>-</u>	<u>164,283</u>
FUND BALANCES, END OF YEAR	<u>\$ 137,458</u>	<u>\$ 65,567</u>	<u>\$ -</u>	<u>\$ 203,025</u>

See Notes to Financial Statements

VIENNA TOWNSHIP
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
FOR THE YEAR ENDED MARCH 31, 2006

Net Change in Fund Balances - Total Governmental Funds	\$	38,742
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Amounts reported for *governmental activities* in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Add - Capital Outlay		3,561
Deduct - Depreciation Expense		(24,762)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Add - Principal Payments on Long-term Liabilities		<u>26,880</u>
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Change in Net Assets of Governmental Activities	\$	<u><u>44,421</u></u>
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See Notes to Financial Statements

VIENNA TOWNSHIP
STATEMENT OF FIDUCIARY FUND NET ASSETS
AGENCY FUNDS
MARCH 31, 2006

ASSETS

Cash	\$ 197
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<u>TOTAL ASSETS</u>	<u>\$ 197</u>
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LIABILITIES

Due to Other Governmental Units	\$ 197
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<u>TOTAL LIABILITIES</u>	<u>\$ 197</u>
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See Notes to Financial Statements

VIENNA TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Vienna Township conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Township.

REPORTING ENTITY

The General Law Township is located in Montmorency County, Michigan and operates under an elected Township Board consisting of a Supervisor, Treasurer, Clerk, and two Trustees. This Board and its employees provide services to its residents in areas such as fire protection, voter registration, and maintenance of township facilities.

The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the Township's reporting entity, and which organizations are legally separate, component units of the Township. Based on the application of the criteria, the Township does not contain any component units.

TOWNSHIP-WIDE AND FUND FINANCIAL STATEMENTS

The township-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All of the Township's Township-wide activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments, and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the township-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

Township-Wide Financial Statements - The township-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants, categorical aid, and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of interfund activity has been eliminated from the township-wide financial statements.

VIENNA TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Amounts reported as program revenue include (1) charges to customers or applicants for goods, services, or privileges provided; and (2) operating grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes and unrestricted state aid/revenue sharing.

Fund Financial Statements – Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due.

Property taxes, unrestricted state revenue sharing, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the Township.

Fiduciary fund statements are also reported using the economic resources measurement focus and the accrual basis of accounting. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

The Township reports the following major governmental funds:

General Fund - The General Fund is the Township's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund.

Fire Fund – This is a special revenue fund used to record revenue and expenditures related to the fire department activities.

EMS Fund – this is a fund used to record the proceeds from tax levies and to record the payment to Tri-Township for ambulance services.

The township also maintains the following fund:

Fiduciary Funds – The Township maintains an Agency Fund to record the tax collection transactions. The funds are segregated and used to record the tax collection and distribution of taxes to the various taxing entities.

ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY

Cash and Investments – Cash and investments include cash on hand, demand deposits, and savings accounts.

VIENNA TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Receivables and Payables – In general, outstanding balances between funds are reported as “due to/from other funds.”

All property tax receivables are shown net of an allowance for uncollectible amounts. The Township considers all receivables to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded. Property taxes are assessed as of December 31 and the related property taxes are levied and become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county delinquent tax rolls. The County operates a delinquent tax revolving fund and normally pays to the Township all current taxes annually prior to June 30.

Restricted Assets – The fund balance in the fire fund is shown as a restricted fund balance. This balance can only be used for fire department related expenses.

Capital Assets – Capital assets, which include land, buildings, equipment, and vehicles, are reported in the applicable governmental column in the Township-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend asset life are not capitalized. The Township does not have infrastructure-type assets.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and building additions	10-50 years
Fire trucks and other vehicles	7-15 years
Furniture and other equipment	2-20 years

Long-Term Obligations – In the Township-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. The only long-term debt is a balance due on the tanker truck.

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Accounting Change – Effective April 1, 2005, the Township implemented the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments* (GASB No. 34) along with all related statements and interpretations. Changes to the Township’s financial statements as a result of GASB No. 34 are as follows:

- § A Management’s Discussion and Analysis (MD&A) section providing analysis of the Township’s overall financial position and results of operations has been included.
- § Township-wide financial statements (statement of net assets and statement of activities) prepared using full accrual accounting for all of the Township’s activities have been provided.

VIENNA TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- § Capital assets in the governmental activities column of the statement of net assets includes assets totaling \$371,226 not previously accounted for by the Township
- § The governmental activities column includes bonds and other long-term obligations totaling \$2,000 previously reported in the General Long-term Debt Account Group.
- § The fund financial statements focus on major funds rather than fund types.

BUDGETS AND BUDGETARY ACCOUNTING

All funds are under the direct supervision and budgetary control of the Township board. In accordance with PA 621 of 1978, the Uniform Budgeting and Accounting Act as amended, the Township board adopts a budget for the general fund and the fire special revenue fund. Any budget violations are disclosed in the audits of the Township's financial statements as required by law.

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. The budgets, as adopted, lapse after the close of the fiscal, and a new budget is adopted for the ensuing year. The budget for Vienna Township, as presented in the accompanying financial statements is the amended budget as well as the original adopted budget for the funds required to be budgeted under state statute.

NOTE 2- STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information – Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and state law for the general and special revenue funds. All annual appropriations lapse at the fiscal year end.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the Township to have its budget in place by July 1. Expenditures in excess of amounts budgeted are a violation of Michigan law. State law permits Townships to amend their budgets during the year.

Excess Expenditures Over Appropriations in Budgeted Funds - The Township is required under Public Act 621 of 1978 to adopt (pass) a budget (General Appropriations Act) for the General Fund and Individual Special Revenue Funds. The Township complied in all areas. The following expenditure line items exceeded budgeted amounts

	<u>Amended Budget ,</u>	<u>Actual</u>	<u>Variance</u>
Fire Fund			
Principal	\$ 26,000	\$ 26,880	\$ (880)
Interest	\$ 2,000	\$ 2,114	\$ (114)
EMS Fund			
Payments to Other Governments	\$ 28,000	\$ 30,740	\$ (2,740)

VIENNA TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

NOTE 3 - CASH AND INVESTMENTS

The captions on the accompanying balance sheet related to cash are as follows:

	<u>Cash/checking and Savings</u>	<u>Investments</u>	<u>, Total</u>
Government Activities	\$ 1,648	\$ 191,000	\$ 191,648
Agency Funds	<u>197</u>	<u>-0-</u>	<u>197</u>
	<u>\$ 1,845</u>	<u>\$ 191,000</u>	<u>\$ 191,845</u>

Deposits - At year-end, the carrying amount of the Township's deposits was \$1,845 and the bank balance was \$10,015 classified as to risk as follows.

Insured	\$ 1,845
Uninsured – Uncollateralized	<u>-0-</u>
	<u>\$ 1,845</u>

Investments – Act 217, PA 1982, authorized the Township to deposit and invest in the following:

- a. Bonds, securities, and other direct obligations of the United States or its agencies.
- b. Certificates of deposit and other savings instruments issued by a federally insured bank, savings and loan or credit union maintaining an office in Michigan.
- c. Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.
- d. Mutual Funds comprised of investments which are legal for direct investment by local units of government in Michigan.
- e. U.S. Government or federal agency obligation repurchase agreements.
- f. Bankers' acceptance of United States banks

The investments are held in the National City Bank Municipal Investment Fund which is a pooled fund redeemable at dollar for dollar invested.

Credit Risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). The Township has no investments at March 31, 2006 other than the National City Municipal Investment Fund.

Interest Rate Risk

The Township has not adopted a policy that indicates how the Township will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by limiting the weighted average maturity of its investment portfolio to less than a given period of time. However, there are no investments at March 31, 2006 other than the National City Municipal Investment Fund.

VIENNA TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

Concentration of Credit Risk

The Township has not adopted a policy that indicates how the Township will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial Credit Risk

The Township has not adopted a policy that indicates how the Township will minimize custodial credit risk, which is the risk that in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments of collateral securities that are in possession of an outside party. However, there were no investments at March 31, 2006 with this risk.

The Township Board is authorized to designate depositories for Township funds, and the funds are invested in accordance with State of Michigan statutory authority.

NOTE 4 – CAPITAL ASSETS

Capital asset activity of the Township's governmental activities was as follows:

	Balance March 31, 2005	Additions	Disposals	March 31, 2006
Capital assets not being depreciated:				
Land	\$ 27,725	\$ -	\$ -	\$ 27,725
Capital assets being depreciated:				
Building and building improvements	228,489	-	-	228,489
Fire equipment	272,307	2,189	-	274,496
Townhall Equipment	14,844	1,372	-	16,216
Subtotal	515,640	3,561	-	519,201
Accumulated depreciation	150,938	24,762	-	175,700
Net capital assets being depreciated	364,702	(21,201)	-	343,501
Net governmental capital assets	\$ 392,427	\$ (21,201)	\$ -	\$ 371,226

Depreciation expense was charged to activities of the Township as follows:

Governmental activities:

General Fund	\$ 2,358
Fire Fund	22,404
Total	<u>\$ 24,762</u>

VIENNA TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

NOTE 5 - RISK MANAGEMENT

The Township purchases insurance from a private insurance carrier for liability, worker's compensation and other insurable risks.

NOTE 6 – PENSION PLAN

The township has a defined contribution pension plan. The Travelers Group choice annuity was selected as the carrier for the plan. The annuity guarantees the holder 3.5% minimum annual interest rate with no initial sales charge to the participant. The individual participant is required to contribute 7% of their earnings with the township matching that amount. The current year payroll covered under the plan was \$34,143. The Township contributed \$2,390 and the employees matched that figure.

NOTE 7 - LONG-TERM DEBT

Following is a summary of pertinent information concerning the Township's long-term debt:

Outstanding Debt Descriptions:

Installment Note – secured by 1979 GMC tank truck

Installment debt	Due July 1, 2006	<u>\$ 2,000</u>
Total		<u><u>\$ 2,000</u></u>

Changes in Long-Term Debt

April 1, 2005	\$ 28,880
Principal paid	<u>(26,880)</u>
March 31, 2006	<u><u>\$ 2,000</u></u>

Annual Debt Service Requirements:

The annual debt service for all debt combined is as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006/07	<u>\$ 2,000</u>	<u>\$ -0-</u>	<u>\$ 2,000</u>

No interest is charged on this debt. The debt was incurred to purchase a 1979 GMC tank truck and is owed to Tri-Township Fire Department.

REQUIRED SUPPLEMENTAL INFORMATION

VIENNA TOWNSHIP
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, OTHER SOURCES (USES)
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED MARCH 31, 2006

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
REVENUES				
Taxes	\$ 41,092	\$ 41,092	\$ 43,080	\$ 1,988
State Sources	36,000	36,000	38,633	2,633
Charges for Services	700	700	1,210	510
Interest / Royalty Income	500	500	7,264	6,764
Hall Rent	900	900	1,840	940
Administration Fee	8,536	8,536	10,063	1,527
Other	<u>6,000</u>	<u>6,000</u>	<u>5,342</u>	<u>(658)</u>
TOTAL REVENUES	<u>93,728</u>	<u>93,728</u>	<u>107,432</u>	<u>13,704</u>
EXPENDITURES				
General Government:				
Township Board	35,700	35,700	28,957	6,743
Supervisor	8,000	8,000	7,919	81
Clerk	8,500	8,500	8,252	248
Board of Review	1,100	1,100	839	261
Treasurer	14,000	14,000	12,863	1,137
Assessor	13,000	13,000	12,183	817
Elections	500	500	33	467
Township Hall	5,000	5,000	4,848	152
Cemetery	2,000	2,000	610	1,390
Capital Outlay	<u>1,400</u>	<u>1,400</u>	<u>1,372</u>	<u>28</u>
Total General Government	<u>89,200</u>	<u>89,200</u>	<u>77,876</u>	<u>11,324</u>
Public Safety:				
EMS	600	600	370	230
Planning and Zoning	<u>3,500</u>	<u>3,500</u>	<u>3,446</u>	<u>54</u>
Total Public Safety	<u>4,100</u>	<u>4,100</u>	<u>3,816</u>	<u>284</u>
TOTAL EXPENDITURES	<u>93,300</u>	<u>93,300</u>	<u>81,692</u>	<u>11,608</u>
REVENUES OVER (UNDER) EXPENDITURES	428	428	25,740	25,312
FUND BALANCES, BEGINNING OF YEAR	<u>109,870</u>	<u>109,870</u>	<u>111,718</u>	<u>1,848</u>
FUND BALANCES, END OF YEAR	<u>\$ 110,298</u>	<u>\$ 110,298</u>	<u>\$ 137,458</u>	<u>\$ 27,160</u>

See Notes to Financial Statements

VIENNA TOWNSHIP
FIRE FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED MARCH 31, 2006

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
REVENUES				
Taxes	\$ 57,944	\$ 57,944	\$ 61,066	\$ 3,122
Interest	200	200	1,362	1,162
Other Revenue	<u>2,000</u>	<u>2,000</u>	<u>4,000</u>	<u>2,000</u>
TOTAL REVENUES	<u>60,144</u>	<u>60,144</u>	<u>66,428</u>	<u>6,284</u>
EXPENDITURES				
Public Safety	27,811	27,811	22,243	5,568
Debt Retirement				
Principal	26,000	26,000	26,880	(880)
Interest	2,000	2,000	2,114	(114)
Capital Outlay	<u>2,189</u>	<u>2,189</u>	<u>2,189</u>	<u>-</u>
TOTAL EXPENDITURES	<u>58,000</u>	<u>58,000</u>	<u>53,426</u>	<u>4,574</u>
REVENUES OVER (UNDER) EXPENDITURES	2,144	2,144	13,002	10,858
FUND BALANCES, BEGINNING OF YEAR	<u>48,621</u>	<u>48,621</u>	<u>52,565</u>	<u>3,944</u>
FUND BALANCES, END OF YEAR	<u>\$ 50,765</u>	<u>\$ 50,765</u>	<u>\$ 65,567</u>	<u>\$ 14,802</u>

See Notes to Financial Statements

VIENNA TOWNSHIP
EMS FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED MARCH 31, 2006

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
REVENUES				
Taxes	\$ 28,000	\$ 28,000	\$ 30,706	\$ 2,706
Intergovernmental Revenue				
Federal	-	-	-	-
State	-	-	-	-
Other Local Units	-	-	-	-
Charges for Services	-	-	-	-
Interest	-	-	34	34
Other Revenue	-	-	-	-
	<u>28,000</u>	<u>28,000</u>	<u>30,740</u>	<u>2,740</u>
TOTAL REVENUES	<u>28,000</u>	<u>28,000</u>	<u>30,740</u>	<u>2,740</u>
EXPENDITURES				
Payment to Other Governments	<u>28,000</u>	<u>28,000</u>	<u>30,740</u>	<u>(2,740)</u>
	<u>28,000</u>	<u>28,000</u>	<u>30,740</u>	<u>(2,740)</u>
TOTAL EXPENDITURES	<u>28,000</u>	<u>28,000</u>	<u>30,740</u>	<u>(2,740)</u>
REVENUES OVER (UNDER) EXPENDITURES	-	-	-	-
FUND BALANCES, BEGINNING OF YEAR	-	-	-	-
FUND BALANCES, END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See Notes to Financial Statements



Thomas R. Zick CPA, P.C.
CERTIFIED PUBLIC ACCOUNTANT

P.O. BOX 149, 2947 MANTZ STREET
LEWISTON, MICHIGAN 49756
TELEPHONE: (989) 786-4032
FAX: (989) 786-4032

FINANCIAL AUDIT COMMENTS

August 7, 2006

Township Board
Vienna Township
Johannesburg, Michigan 49751

In planning and performing my audit of the general purpose financial statements of Vienna Township, for the year ended March 31, 2006, I considered its internal control structure in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control structure. However, I noted certain matters involving the internal control structure and its operation that I feel should be brought to your attention and are summarized in the following paragraphs.

SEGREGATION OF DUTIES - There is not adequate segregation of duties in the accounting function. The treasurer receives all funds (receipts) and also reconciles the bank accounts. However, because of the size of the Township it is not only difficult but for all practical purposes impossible to obtain ideal segregation of duties. The Township Board must recognize that all internal controls must be evaluated for cost effectiveness and at this point little can be done to increase the controls without considerable cost increase. The controls which could be added would have to be compared with the costs required to obtain those controls.

BUDGETS - The township board adopted the budget for the audited year in accordance with PA 621.

During the 2005-2006 year the following departmental line items were spent in excess of the budgeted amount:

	<u>Amended Budget .</u>	<u>Actual</u>	<u>Variance</u>
Fire Fund			
Principal	\$ 26,000	\$ 26,880	\$ (880)
Interest	\$ 2,000	\$ 2,114	\$ (114)
EMS Fund			
Payments to Other Governments	\$ 28,000	\$ 30,740	\$ (2,740)

GENERAL LEDGER

The ledger for each fund needs to be closed at the end of the fiscal year and the fund balance in the clerk's ledger should be reconciled to the treasurer records. We can assist you in closing the year which will give you correct beginning balances for the 2006/07 year.

GASB STATEMENT NO. 34 / CAPITAL ASSETS

We have used your capital asset records and entered them on an Excel spreadsheet. This spreadsheet should be maintained over the next two years by adding additions and removing deletions. In addition you should compute the depreciation each year so the schedule is correct for the next audit.

In general, as has always been the case in the past, the records were organized. Bank accounts were timely and accurately reconciled. For a Township the size of Vienna, the accounting process appears to be working in good order.

This report is intended solely for the information and use of Vienna Township's management, and the Michigan Department of Treasury and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in cursive script that reads "Thomas R. Zick, CPA P.C.".

Thomas R. Zick CPA, P.C.
Certified Public Accountant